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SUBJECT: CYPRUS: SCRAPIE THREATENS ISLAND'S ANIMAL HUSBANDRY AND  
DAIRY INDUSTRIES

(U) This cable is sensitive but unclassified. Please protect accordingly.

¶1. Summary. Over the past week, Cypriot media have focused on the ominous implications for the local animal husbandry and dairy industry of a recent EU court decision calling for the culling of all animals infected with scrapie. In Cyprus, this decision may affect up to 116,000 goats and sheep -- a quarter of Cyprus' animal population. Cyprus is currently fighting the decision before the EU and is hoping for a postponement of the decision and a softening of the blow. This being a pre-election period, this issue also has political ramifications. Unless action on the court's decision is delayed or reversed, this problem could take points away from incumbent President Papadopoulos, who is hoping for re-election in February 2008. End Summary.

¶2. On September 28, 2007, the European Court of Justice of the European Communities, following a French appeal, ordered the mass culling of up to 116,000 sheep and goats in Cyprus over scrapie fears. The decision has sent shockwaves through Cyprus, particularly the farmers involved and the incumbent government, which is hoping for re-election in the February 2008 Presidential elections. The GOC has until October 31, 2007 to implement the court's decision but is trying to appeal and gain more time. If implemented strictly, this decision would deal a serious blow to Cypriot agriculture.

¶3. Scrapie belongs to a family of fatal diseases of the brain known as transmissible Spongiform Encephalopathies (TSEs), that include mad cow disease. Scrapie itself is not transmissible to humans. However, there is strong evidence suggesting that the outbreak of mad cow disease (which is transmissible to humans) in the UK and elsewhere several years ago was caused by farmers feeding their cattle ground up remains of animal carcasses infected with scrapie. Cypriot cattle farmers, for their part, reportedly make a point of not engaging in this practice.

¶4. Scrapie in Cypriot sheep first appeared in the mid-1980s and is believed to have been contracted through the importation of an infected flock of sheep from Germany. Cyprus has been combating the disease since then. Cypriot scientists have identified the gene type susceptible to the disease, using this information to breed sheep that are resistant to the disease. In a pioneering program, Cypriot animal health authorities have managed to reduce dramatically the rate of scrapie infection in Cypriot flocks of sheep, from almost 100 percent in the late Eighties to around 10

percent currently.

¶5. Scrapie in goats, however, is a different problem. It has been around in Cyprus for only about five or six years and, so far, there is no scientific method of telling apart sick animals from healthy ones nor differentiating susceptibility by genotype. Contacts tell us that Cypriot animal health authorities have strong hopes of soon replicating their success in fighting this disease in goats as they have done with sheep.

#### Impact on Agriculture and Economy

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¶6. If the court decision is implemented strictly, there is no doubt that Cypriot agriculture would suffer a serious blow. To keep things in perspective, it should be noted that the overall impact on the economy at large is not likely to be catastrophic, especially since Cyprus is a services-based economy. In 2006, the agricultural sector contributed 2.6 percent to GDP (about CP 217.7 million, USD 530 million) and employed 6.5 percent of the economically active population (some 23,870 people). Animal husbandry and the dairy industry are important sub-sectors of agriculture.

¶7. The 116,000 animals (83,000 goats and 33,000 sheep) that would have to be slaughtered make up about a quarter of the population of these animals in the government-controlled area (around 430,000 animals). Correspondingly, about 700 herds of goats and sheep would have to be culled out of a total of 3,500 flocks.

¶8. In strictly monetary terms, it is estimated that it will cost the government about CP 11.8 million (USD 28.7 million) to confiscate these 116,000 animals, and compensate farmers for their loss of income for up to five years and help them get back on their feet. (Minister Photiou has already announced plans to offer immediate assistance of CP 900,000 and officials here assume that

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the EU will offer generous subsidies to compensate Cyprus.) However, this is only the tip of the iceberg. A mass culling of this scale would cause practical problems in terms of properly disposing of the carcasses of the dead animals, estimated to generate 6,500 tons of waste.

¶9. Perhaps most importantly, though, such a massive culling would put out of business around 700 farmers for at least two years (the time it takes to import new animals and rebuild the industry). This would seriously disrupt the future development of animal husbandry on the island, since many farmers might choose another line of business in the meantime, never to come back to animal husbandry. Consequently, the disruption to the island's dairy industry for the domestic market as well as for exports would be enormous. Sheep and goat milk are the main ingredients for making halloumi, Cyprus' most famous patented product. Exports of halloumi have been thriving in recent years, reaching CP 17 million (USD 41.4 million) in 2006, and making up 6.5 percent of Cyprus' total exports. Additional export sales have been limited only because of lack of production capacity due to a lack of raw milk.

#### Negotiations to Soften Blow Under Way

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¶10. Several other EU countries (including Italy, Greece, Spain, the UK and Ireland) are also affected by scrapie, although not to the same extent as Cyprus, due to the island's high proportion of goat and sheep farms. However, what really sets Cyprus apart from the other countries with the same problem is that Cyprus has had considerable success in dealing with this problem in sheep over the years.

¶11. The GOC is trying to use this argument to convince the EU authorities to soften the blow on Cyprus. Cyprus is seeking delays in implementing the decision, and also to restrict any culling to only infected animals, as opposed to entire flocks comprised of both healthy and sick animals. The GOC will also argue that, despite the prevalence of scrapie in Cyprus for the last 20 years, no humans -- or animals other than goats and sheep -- have ever been affected.

Local representatives of the dairy industry have told us that they are optimistic about the outcome of these negotiations.

¶12. GOC Veterinary Services have been following very strict procedures for slaughtering goats and sheep since July 1, 2007, which are even stricter than those prescribed by the Commission. Specifically, (a) all goats and sheep older than 12 months, even those without any clinical symptoms of scrapie, are tested before offered for public consumption. High risk parts of the animals (heads, spleen, spine and intestines are removed before leaving the slaughterhouse). (b) Animals younger than 12 months without clinical symptoms are allowed for consumption without prior testing but after the removal of the spleen.

¶13. Cypriot officials, led by Agriculture Minister Photiou, are currently negotiating intensively with EU authorities on ameliorating the impact on Cyprus. There are reports that the European Commission is planning to appeal against the decision of the European Court of Justice of the European Communities. On October 18, local media also reported that Marcos Kyprianou, the EU Health Commissioner (and by chance a Cypriot), had prepared an urgent regulation to postpone for five years the culling of sheep and goats flocks suffering from scrapie in all affected countries. The new regulation will be tabled before the Commission's Food Experts Committee, which has representatives from all 27 countries, and can be passed as early as this December.

¶14. Comment: The conspiracy-minded in Cyprus believe there are ulterior motives behind France's move to seek strict enforcement of the court decision. This theory contends that this is France's way of promoting the interests of French cheese producers, at the expense of up-and-coming rivals from southern Europe, mainly Greece and its ability to use "feta" as a geographic indicator for brined white cheese. According to one source, "the French think they will get back the market by denying Greeks access to any milk."

¶15. Comment continued: The meat and milk of sheep/goats may be a relatively minor factor from a macroeconomic view. But for Cypriots, the Sunday "souvla" (lamb roast) and halloumi cheese for breakfast, lunch or appetizer are cultural icons on par with hot dogs and apple pie for the average American. If the price of the Cypriot cultural identifiers goes too high, it would be a major risk for any

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government here regardless of the underlying cause. This is especially true with Presidential elections only a few months away.

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